

# **Organizational Structure and Government Performance**

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Mr. Chairman and Members of the State of California Little Hoover Commission:

Thank you for the opportunity to appear before you in your deliberations on governmental organization and reorganization. I look forward to the chance to discuss the following points with you, along with other issues that you consider important.

## **Reorganization is One Way to Improve Government Performance**

When organizational change is appropriate, restructuring can have a profound and beneficial impact on the performance of an organization.

## **Reorganization is Only One of Many Ways to Improve Government Performance**

On the other hand, as will be discussed further below, many of the problems that beset government agencies and programs may not be resolved by organizational redesign. Reorganization alone will not solve many problems of interagency coordination. Poor leadership, unmotivated staff, insufficient resources, and glacial or irrational procedures also will not be overcome just by restructuring.

Ways to improve performance include:

- Redesign the Organization's Structure (the subject of this meeting)
- Redesign the Program
- Redesign Administrative Systems
- Provide Additional Resources
- Improve the Organization's Leadership
- Improve Coordination of Activities of Multiple Organizations

## **Government reorganization is a political process.**

“Decisions on program design, institutional type, organizational jurisdiction, and management systems may well determine who will control and benefit from a program and, ultimately, whether national objectives are achieved.”

-- Harold Seidman, *Politics, Position and Power: The Dynamics of Federal Organization*

Effective executive reorganization also must take account of the jurisdictions of relevant legislative committees.

**There are valid reasons to create a new organization or to reorganize.**

These include:

1. to combine related programs from disparate governmental units to provide an organizational focus and accountability for carrying out high-priority public purposes,
2. to help assure that information flows to the proper level of government for consideration and possible action,
3. to change policy emphasis and assure that resources are more properly allocated to support high-priority activities, and
4. to determine who controls and is accountable for certain governmental activities.

A National Academy of Public Administration (NAPA) study suggests useful questions when considering whether to combine programs into a single department or agency:

- Are the agency's programs, along with other programs that might be added from other agencies, closely related in terms of achieving broad public goals?
- Would the combination of related programs improve service delivery? Would it save money, either for the taxpayers or for those affected by the programs? Would it prevent one constituency group or profession from dominating the agency?
- Does the agency warrant independent status, whether in the cabinet or not, as compared to other agencies?
- Would cabinet status improve the leadership, visibility, and public support for the programs?
- Does the public interest require that it remain in the government (even if many of its functions are contracted) or should it be devolved or privatized?

"An executive department is usually called for when programs related to some definable government purpose become so numerous, so large, and so complex that an official of secretarial rank with enhanced access to the president is needed to provide effective oversight and coordination of program management."

-- Alan Dean, "The Organization and Management of Executive Departments," chapter in *Making Government Manageable*, 2004

### **The Solution Should Fit the Problem**

In organizational design, the key is to fit the appropriate organizational form to the purposes to be achieved.

This is not always easy. Policymakers frequently reach for organizational "quick fixes" that can complicate rather than solve the fundamental problems that beset an agency or program.

"There is no organization that cannot be made worse through a poorly conceived reorganization." – Alan Dean

Many problems do not have solutions that involve organizational design.

- Elements such as leadership, quality of personnel and systems, level of funding, and freedom from unwise legal and regulatory constraints may be as important as organizational structure in the search for solutions to many problems that confront government agencies and programs.
- Problems of interagency coordination sometimes may require quite different solutions from a consolidation or interagency reorganization. Thus, the creation of the Department of Homeland Security to contain parts or all of 22 different federal agencies may be much less effective than if there had been a concerted effort to improve coordination among these and the other 100 agencies with some homeland security responsibilities.
- Reorganization is not a substitute for inadequate resources in areas such as budget, staffing or systems.

On the other hand, carefully targeted organizational redesign sometimes can enhance the capacity of a governmental organization by fitting the structure more closely to an agency's mission and changing the method of financing.

Many issues of flexibility can be addressed without going through a process of major organizational redesign. Simple delegations of authority may make a substantial contribution to enhancing an agency's flexibility, for example, by removing layers of review and delegating responsibility for personnel, contracting and budgeting to subordinate organizational units.

- Life cycle is also an important issue to consider in the design or redesign of government organizations.

One issue is capture. As Harold Seidman observes, when designing an organization it is useful to consider whether its constituency is likely to be broad-based, or whether it will represent narrow interests potentially antithetical to some of the public purposes to be accomplished.

Another life-cycle issue might be called ossification. Some agencies gain and maintain so much autonomy that they lose sensitivity to their external environment. Starting early in his tenure Robert Mueller, the head of the FBI, has been actively addressing this issue. It is not clear what kind of reorganization might help solve this problem and whether the costs of a major reorganization would offset the benefits.

Harold Seidman notes the importance of organizational culture in organizational design. He asks two questions: (1) What is the culture and tradition of the administering department or agency? and (2) Will it provide an environment favorable to program growth or will it stunt development?

The question of cultures has been very important in trying to meld numerous agencies into a single Department of Homeland Security. NAPA Fellow Michael Maccoby reports that, when the department addressed problems of communications across its organizations, the "easy part was to install communication technology. The hard part was getting people to communicate in a timely way. Another problem was determining who was in charge when there was need for collaboration across organizational barriers."

### **The Costs of Reorganization**

Besides providing benefits, even a good reorganization can involve costs. NAPA Fellow Herbert Jasper summarizes some of those limitations:

- Reorganization can be costly and disruptive; it may immobilize an agency for one to three years while the proposal is being formulated, debated, enacted and implemented;
- Abolishing a government department or agency, without terminating or consolidating the programs administered by the organization may cost more than preserving it.
- While there may be benefits from reorganization, there may also be losses -- not just costs. That is, reorganization is a way to emphasize certain values or goals, but this means downgrading other values or goals.
- Reorganization, *per se*, seldom saves money. For example, combining two executive departments, without other actions, would save little more than the salaries of a handful of top appointees and their immediate staffs. Often program redesign can be much more cost effective than reorganization.
- Efficiency, cost savings and improved service can best be accomplished by program simplification or consolidation, rather than by merely vesting the authorities of two or more agencies in a single one. On the other hand, vesting overlapping functions in a single agency may permit the agency head to develop sound legislative proposals to rationalize the related functions.

### **The Government's Capacity to Design Effective Organizations and Public-Private Relationships Needs to be Improved**

The events of September 11 have brought into sharp focus the limitations on the federal government's ability to design effective organizations and working relationships with other partners, whether in the private sector or among state and local governments. Many years ago, the federal Office of Management and Budget included an office that had responsibility for enhancing the management and organization of government organizations and programs.

That office had responsibility for enhancing the institutional capacity of the presidency and, by extension, the rest of the Executive Branch. On issues of interagency coordination, for example, the office was able to develop a cognitive

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map of a problem, overlay a map of the available jurisdictions of constituent organizations, and then help those organizations to plug the gaps. In cases such as housing and community development, the scope of analysis also included the relationship of federal agencies and programs with state and local governments.

Such an office might have the following general responsibilities:

- **Government Organization:** Review government wide organizational structure on a continuing basis, periodically reporting on the state of government organization and proposals to improve the performance and efficiency of federal programs.
- **Cooperation and Coordination:** Facilitate interagency and intergovernmental cooperation and assist in developing effective coordinating mechanisms throughout the government.
- **Systems Improvement:** Provide leadership for improvement of agencies' administrative and program delivery systems. Administrative systems include personnel, procurement, and information resources, for example.
- **Early Warning:** Analyze agency capacity and operations, e.g. with respect to homeland security, public health, or financial vulnerabilities, to detect potentially damaging gaps and shortcomings.
- **Special Organizations:** Oversee the overall operations and management of government corporations, government-sponsored enterprises, quasi-governmental entities, and other institutions with a governmental interest.
- **Reorganization and Management Legislation:** Develop criteria and standards to be met prior to the submission of legislation to establish new or reorganize existing departments, agencies, and other entities with a government interest; provide advice on the workability of proposed programs and legislation as they are being developed.
- **Fostering Management Analysis Capacity:** Help departments and agencies to develop internal management analysis capabilities.

It can be seen that, if such a federal office existed today, it would greatly add to the president's capacity to address the critical issues of organization, management, and coordination that are a national priority with respect to assuring homeland security. The State of California may want to consider institutionalizing organizational reform activities in such an office.